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**IOWA  
ASSOCIATION OF MUNICIPAL  
UTILITIES**

By email from akimber@iamu.org

October 12, 2007

Tom Mielnik  
MidAmerican Energy  
One RiverCenter Place  
106 East Second Street  
Davenport, Iowa 52808

RE: MEC Draft Attachment M

Dear Mr. Mielnik:

The Iowa Association of Municipal Utilities ("IAMU") and Municipal Energy Agency of Nebraska ("MEAN") have reviewed MidAmerican Energy Company's ("MEC") draft "Attachment K" (known as "Attachment M" of the MEC tariff), which describes the MEC transmission planning process required by FERC Order 890. We appreciate MEC's efforts to develop a compliant Attachment M. IAMU and MEAN want to work with MEC to develop joint, regional and local transmission planning processes that fulfill Order 890's requirements, as further illuminated by FERC's August 2, 2007 Staff White Paper, as well as MEC's planning obligations under the June 23, 2005 Agreement and Memorandum of Understanding between MidAmerican Energy Company and Midwest Municipal Transmission Group ("MEC-MMTG Agreement"). Accordingly and in the spirit of constructive dialogue, we offer the following comments regarding deficiencies in the draft. These comments will focus on the MEC local planning process; we shall separately provide comments on the MAPP regional and subregional planning process as reflected in MAPP's draft Attachment K, which appears to have been incorporated into MEC's draft Attachment M. IAMU and MEAN will also be represented at the October 15, 2007 FERC technical conference in Boston on the MEC and MAPP planning drafts.

An overarching concern for us is the status of MEC's transmission planning, if MEC joins the Midwest ISO under what is being referred to as "Option 2," where MEC maintains its tariff but becomes a part of the Day-2 Market for congestion management. We understand that MEC and a number of other Transmission Owners in the MAPP region are actively considering such a step, though the precise arrangements have not been determined. Regardless of whether MEC joins the Midwest ISO or remains in

MAPP, Order 890 requires that MEC's transmission planning comply with Order 890. We trust that any MEC decision to join Midwest ISO will include arrangements necessary to ensure that transmission planning will be Order 890 compliant. In particular, if the MAPP Regional Transmission Committee ceases to exist after the transition to the Midwest ISO Day-2 Market, we trust that MEC will develop a similar regional planning process with its neighbors that provides for a comparable level of customer involvement as the current MAPP processes.

We would also have greater confidence that MEC's local transmission planning satisfies Order 890 if we better understood MEC's current local planning procedures for its native load customers. In addition to comparability's being a fundamental principle of FERC's open access policies, Order 890's planning principles include comparability, which requires that "the interests of transmission providers and their similarly-situated customers be treated on a comparable basis during the planning process." Order 890 at P 495. The absence of information about MEC's current planning process for its native load customers makes it difficult to assess whether MEC's proposal for local transmission planning provides for planning comparable to that which exists for MEC's native load customers. We would suggest that MEC describe in draft Attachment M or accompanying materials its current transmission planning for its native load.

#### Coordination

We are seriously concerned that MEC's local planning process does not provide meaningful stakeholder input at the ground level of developing the MEC transmission plan. In Order 890, FERC stated:

[W]e fully intend that the planning process adopted herein provide for the timely and meaningful input and participation of customers into the development of transmission plans. This means that customers must be included at the early stages of the development of the transmission plan and not merely given an opportunity to comment on transmission plans that were developed in the first instance without their input.

Order 890 at P 454. The Staff White Paper (at 4) reiterated the need for stakeholder input at the development stage and once plans are drafted:

- Many transmission providers already have stakeholder meetings incorporated into their annual transmission planning cycle. Staff recommends that the schedule for such meetings, or other planning-related communication, provide an opportunity for input regarding:
  - data gathering and customer input into study development;
  - review of study results;

- review of draft transmission plans; and
- coordination of draft plans with those of neighboring transmission providers.

The White Paper also states (at 8): “Staff recommends involving customers early in the process to facilitate a two-way exchange of information, rather than simply notifying customers at the end of the process of study results in output.” Further, the MEC-MMTG Agreement, ¶ 5, provides that “MEC will support MMTG’s participation in the development of a regional transmission economic expansion plan that will identify transmission upgrades needed to mitigate congestion and eliminate transmission constraints.”

The MEC proposal, however, leaves the impression that MEC will develop transmission plans largely without stakeholder involvement and present those plans without any defined opportunity for stakeholder feedback (apart from twice yearly face-to-face meetings). MEC also does not commit to reflect in the transmission plan any comments received. Several aspects of MEC’s Attachment M draft are the source of these concerns:

- MEC commits to only two face-to-face meetings per year and any additional meetings are left to MEC’s discretion. Section 13.3.a.
- MEC says it “will request and consider stakeholder input provided during the stakeholder process. MidAmerican Energy is not obligated to build and/or plan for improvements as a result of requests and comments from stakeholders.” Section 13.3.e.
- MEC “may conduct preliminary transmission planning with or without individual parties and/or ad hoc groups to facilitate transmission plan developments.” Section 13.3.f.
- MEC will form an “ad hoc study group process” only if MEC determines there is a need. Section 13.4.a.
- The opportunity for comments by the ad hoc study group arises only after MEC has drafted a study. Section 13.4.d.

MEC’s draft Attachment M also does not describe the relationship between the ad hoc groups and the stakeholder process envisioned by Section 13.3.

The Staff White Paper provides useful guidance regarding compliance with the coordination principle, and we recommend that MEC revise its draft Attachment M consistent with that guidance.

### Openness

Our concerns regarding the openness principle are related to the foregoing concerns regarding coordination, namely, that stakeholder input will occur too late in the process and that there is no assurance that MEC’s planning will reflect that input. Regarding the openness principle, the White Paper (at 5) states: “The sharing and review of information should commence early in the process and be ongoing, rather than commencing only after

the transmission provider has prepared a final draft plan without stakeholder input.” It may be that the ad hoc study group process envisioned by MEC is the mechanism intended to satisfy the openness principle, but the absence of any description of how the ad hoc study group process set forth in Section 13.4 will interact with the stakeholder process set forth in Section 13.3 prevents us from concluding that such a mechanism is satisfactory.

### Transparency

As noted above, the lack of information about how MEC presently plans for its native load’s transmission needs limits our ability to assess whether or not draft Attachment M satisfies Order 890. Notably, Order 890’s transparency principle requires that MEC “reduce to writing and make available the basic methodology, criteria, and processes [it] use[s] to develop [its] transmission plans, including how [it] treat[s] retail native loads, in order to ensure that standards are consistently applied.” Order 890 at P 471. Similarly, the White Paper (at 7) states that MEC should “describe the transmission planning cycle and important milestones in the cycle – *e.g.*, timelines/data exchange, studies, presentation of studies to customers, *etc.*” and that “[s]tudy periods should be consistent with those used to plan the system for native load customers.” MEC should provide the information required by Order 890, as further described in the White Paper.

The White Paper (at 6) also observes that FERC in Order 890 concluded that “simple reliance on Form Nos. 714 and 715 failed to provide sufficient information to provide transparency in planning because those forms were designed for different purposes” and so FERC required that transmission providers “disclose the criteria, assumptions and data that underline its transmission system plans.” Sections 13.5.a. and 13.5.b. of draft Attachment M provide that MEC will “make available ... the basic criteria, assumptions, and data that underline its transmission system plans,” but MEC then continues with a statement that appears to limit the information it will provide to just Form Nos. 714 and 715: “For this purpose, MidAmerican Energy will make the following documents available in a way that maintains confidentiality and complies with CEII requirements: (1) MidAmerican Energy’s FERC Form 714 and (2) MidAmerican Energy’s FERC Form 715.” Consistent with Order 890, MEC must provide more information than just Form Nos. 714 and 715.

### Information Exchange

MEC’s proposals to address the information exchange principle appear to build on existing OATT requirements for network customers to provide load and resource information. See Section 13.6. Order 890’s information exchange principle requires more than just this one time, or annual, provision of load and resource information by network customers, as described in the White Paper (at 9):

The Commission emphasized that transmission planning is not intended to be limited to the mere exchange of information and after the fact review of transmission

provider plans. The planning process is instead intended to provide a meaningful opportunity for customers and stakeholders to engage in planning along with their transmission providers. To that end, the Commission clarified that information exchange relates to planning, not other studies performed in response to interconnection or transmission service requests.

MEC's satisfaction of this principle would be aided if MEC described what process it currently uses to obtain/develop information regarding the transmission needs of its native load. "In order for the Final Rule's planning process to be as open and transparent as possible, the information collected by transmission providers to provide transmission service to their native load customers must be transparent and, to that end, equivalent information must be provided by transmission customers to ensure effective planning and comparability." Order 890 at P 486.

MEC might also look to the MEC-MMTG Agreement, Exhibit A, ¶ 1.n., for additional guidance. The provision provides: "In order to facilitate joint planning, the Parties, including IPPA [Iowa Public Power Agency] and the IPPA members, agree to provide each other data that is required for transmission planning including: steady state and dynamic power flow data for generating units owned by IPPA and/or its members (which at a minimum shall be manufacturer's data and at a maximum shall be data from tests, but shall be consistent with NERC and/or Regional Reliability Organization Standards); dispatch practices for generating units owned by IPPA and/or the IPPA members such as the load level at which the IPPA owners plan to start self-generating units; transmission schedules that IPPA plans to use; as well as, IPPA and its members continue to provide data such as existing and expected future loads, existing and expected future generation, interruptible load information, etc."

### Comparability

As noted throughout this letter, comparability is a core Order 890 requirement that affects all aspects of transmission planning. *See also* White Paper at 11. We believe that MEC's providing more information about how it plans for its native load would help to ensure that the planning process described in draft Attachment M satisfies Order 890.

### Dispute Resolution

The MEC draft Attachment M states: "Disputes related to local planning issues shall be resolved in accordance with the dispute resolution procedures set forth in this tariff." Section 10. Order 890, however, requires more than just a statement that MEC will rely on existing procedures:

An existing dispute resolution process may be utilized, but those seeking to rely on an existing dispute resolution process must specifically address how its procedures will be used to address planning disputes. The dispute

resolution process should be available to address both procedural and substantive planning issues, as the purpose for including a dispute resolution process is to provide a means for parties to resolve all disputes related to the Final Rule's planning process before turning to the Commission.

Order 890 at P 501. We trust MEC will address this shortcoming in draft Attachment M in its next iteration.

### Regional Participation

MEC's current participation in the MAPP regional planning process would appear to be a satisfactory means to address the regional participation principle, at least with respect to other MAPP utilities. We are concerned, however, that draft Attachment M does not address the planning interface with the Midwest ISO, which borders MEC's system to the north and east. We urge MEC to develop Attachment M further by addressing the issues detailed in the White Paper at pages 13 to 15 with respect to regional participation. MEC also has regional planning obligations pursuant to the MEC-MMTG Agreement. In addressing these issues, MEC should also address how its transmission planning will satisfy Order 890's requirements if the MAPP planning process folds as a result of MAPP members moving to the Midwest ISO.

### Economic Planning Studies

Order 890 recognized that transmission providers account for both reliability and economics when planning transmission for native load customers and that comparability requires transmission providers to include economic considerations as well when fulfilling Order 890's economic planning study principle.

Although planning to maintain reliability is a critical priority, it is not the only one. Planning involves both reliability and economic considerations. When planning to serve native load customers, a prudent vertically integrated transmission provider will plan not only to maintain reliability, but also consider whether transmission upgrades or other investments can reduce the overall costs of serving native load. Such upgrades can, for example, reduce congestion (redispatch) costs or integrate efficient new resources (including demand resources) and new or growing loads. Thus, to represent good utility practice and provide comparable service, the transmission planning process under the pro forma OATT must consider both reliability and economic considerations. The purpose of this principle is to ensure that the latter is considered adequately in the transmission planning process.

Order 890 at P 542. The White Paper (at 16) recommended that transmission providers describe economic planning undertaken on behalf of native load and OATT customers, including the types of economic planning studies performed and whether reliability and economic projects are considered separately or together.

We are concerned that MEC's draft Attachment M does not address economic planning in which MEC presently engages on behalf of native load and OATT customers nor states that MEC would include economic considerations in transmission planning absent a specific request from a stakeholder. A review of Section 13.7.a. suggests that economic planning will take place only if a stakeholder requests that it do so, which seems inconsistent FERC's conclusion in Order 890 that economic planning should not be limited to responses to transmission requests. Order 890 at P 543. Further, it is not clear whether MEC intends to limit its obligation to engage in economic planning studies to just the two high priority studies mentioned in Section 13.7.d. Order 890, however, provides for *both* routine economic planning studies and high priority economic planning studies. *See* Order 890 at P 542 and P 547. The MEC-MMTG Agreement also imposes economic planning obligations.

With respect to the number of high priority studies, Order 890 suggested 5 to 10 such studies as a reasonable number on an annual basis. Order 890 at P 547. By contrast, MEC proposes only 2 such studies. Section 13.7.d. While Order 890 also indicated that the specific number of high priority studies would vary based upon the facts, Order 890 at P 547 n.323, MEC has identified no facts justifying only 2, rather than 5 or 10, such studies. There are more than 2 constrained flowgates on the MEC system that may be high priority, so limiting the number of high priority studies to just 2 annually does not appear reasonable.

We are also concerned about the intent and effect of Section 13.7.i. where MEC says that it "will study the cost of congestion only to the extent it has the information required to perform such study" and that "[i]f stakeholders request a particular congested area be studied, the requesting stakeholders must supply the relevant data to enable MidAmerican energy to calculate the level of congestion costs occurring, or likely to occur in the near future." MEC should clarify that its obligations are not limited by the information that a stakeholder can provide and that MEC will fulfill its obligations with the information available to it regardless of source. Order 890 does not indicate that transmission providers should use only stakeholder-provided information to fulfill this obligation. Order 890 at P 550. Further, if MEC proceeds with participation in the Midwest ISO Day-2 Markets, there will be increased data available to document the cost of congestion between various nodes on the MEC system. In addition, there is fairly detailed documentation of existing constraints in the form of transmission line-loading relief events.

### Cost Allocation

To the extent that MEC is relying upon the cost allocation provisions set forth in the MAPP Attachment K "template," we will comment separately on those provisions

directly to MAPP. As far as Section 13.8, Cost Allocation for New Projects, in MEC's draft Attachment M, we comment as follows.

MEC states that it "will coordinate the assignment of cost responsibility for identified Network Upgrades within the MidAmerican Energy Transmission System that provide reliability and economic benefits to MidAmerican and other entities." Order 890 appears to require that MEC provide more detail about cost allocation, including:

- Identification of existing cost-allocation mechanisms and the kind of projects to which these mechanisms apply (P 558).
- Identification of projects that would not fit under existing mechanisms (P 558).
- A process by which MEC and its stakeholders determine their own specific criteria which best fit their own experience and regional needs for projects not fitting under existing mechanisms (P 558).

We recognize that developing consensus on cost allocation will take considerable dialogue. We are committed to engaging in such a dialogue with MEC and suggest that the next iteration of draft Attachment M set forth a process by which we can work with MEC to develop consensus cost-allocation proposals. We also note that MEC has agreed "to seek at least IPPA parity for its respective revenue requirements for transmission investments in the MidAmerican Transmission System compared to the MidAmerican billing to IPPA for (1) the transmission charge in the network service billing, plus (2) any long-term firm point-to-point transmission service." MEC-MMTG Agreement, Exhibit A, ¶ 1.k.

#### Cost Recovery

In Order 890, FERC directed "transmission providers to work with other participants in the planning process, as part of the collaborative process described above, to develop their cost recovery proposals in order to determine whether all relevant parties, including state agencies, have the ability to recover the costs of participating in the planning process." Order 890 at P 586. MEC's draft Attachment M does not address cost recovery. We trust that this issue will be addressed as part of the stakeholder process set in motion under Attachment M.

We look forward to engaging with MEC on these issues at the upcoming technical conference and subsequently.

Sincerely,

Anne Kimber  
IAMU

John Krajewski  
MEAN

Cc: FERC Attachment K staff  
Darrel Gunst, MidAmerican  
Mark Hegedus, Spiegel McDiarmid